E-mail Subject Line: Docket No. R-1305

To: The Federal Reserve Board

From: Mike Lemmons, Mgr
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Dear Federal Reserve Board,

The proposed changes to Reg-Z require that brokers, and only brokers, provide consumers a binding, written disclosure of the total dollar amount of their compensation (including YSP, Origination Fees, Processing Fees, Underwriting Fees and all other fees earned) prior to application. Requiring only brokers to provide such a disclosure will confuse and harm consumers who will mistakenly believe that lenders who don't disclose their compensation are saving them money. It also ignores the fact that different lenders charge different fees and many times the chosen lender is unknown at initial application.

This change seems particularly anti-competitive towards brokers which is ironic as brokers are able to efficiently and knowledgably shop hundreds of lenders insuring consumers receive the most competitive rates and terms at no additional cost to their clients.

Requiring brokers to disclose their total compensation as a dollar amount before application will also lead to seat-of-the-pants service estimates based on partial information. A Mortgage Broker will be required to blindly, without adequate underwriting criteria, disclose to a borrower their total dollar compensation for a given loan without the opportunity to make adjustments based on unforeseen circumstances. **The result of this will lead to higher consumer costs and a reluctance of brokers to take on challenging loan scenarios, denying qualified borrowers a chance to obtain a mortgage.**

The proposed changes to Reg-Z dictate harsh underwriting guidelines for a new class of higher cost loans, those with APR's that exceed comparable treasury yields by a certain margin: 3% above for first mortgages or 5% for second mortgages. The proposed triggers are far too inclusive and will subject many Jumbo, Alt-A, Agency-Jumbo and FHA loans to these new guidelines, preventing credit worthy borrowers from obtaining financing.

Instead of helping consumers this measure hurts them. **Stricter underwriting standards for *true* sub-prime mortgages are commendable however these loans should be determined by credit standards, not pricing.** The proposed thresholds are too low and ignore the possible rate spread, especially during times of illiquidity, between treasury yields and mortgage backed securities.

The proposal mandates a written disclaimer from the mortgage broker that states: "a lender payment to a mortgage broker can influence which loan products and terms the broker offers you, which may not be in your best interest or may be less favorable than you otherwise could obtain". Again, this proposal seems to unfairly target brokers and put them at a competitive disadvantage versus lender employed loan originators. Admittedly, as in any profession, there have been dishonest or unethical representatives – employed by both lenders and brokers. **Punish *them*, not the majority of honest brokers who daily provide the valuable service of assisting borrowers in evaluating the numerous, and often complex, mortgage options and lenders available.**

Keep in mind most states specifically require strict ethical standards be met as part of their mortgage broker and loan officer licensing requirements.

In responding to the current housing and financial challenges do not lose sight of the fact that mortgage brokers simply help consumers choose from the many loan programs being offered. The real root causes of the present crisis were the result of too lenient underwriting standards, risky secondary market products, failure to properly price/hedge risk, and declining real estate values.

The Fed should support stricter licensing requirements for ALL loan originators, both brokers and lenders. Any additional requirements should be directed toward the lenders and capital markets which fund the loans.

Sincerely,

Michael Lemmons